

**ORANGE & SEMINOLE COUNTY**

**INDUSTRIAL MARKET REPORT**

**QUARTER LEE NOTE**

The second quarter industrial market surprised us with posting incredibly positive results illustrating the resiliency of our market despite all businesses, except essential businesses, being completely shut down since March 15<sup>th</sup>. Leasing absorption doubled and new construction starts remained constant. Our year to date absorption is incredibly high, the strongest we have had in years. However, if you peel back the layers of our data, we learned that the story is far different than what appears on paper. Two things are impacting our market in ways we have not seen before: Politics and COVID. Politics is self explanatory, but COVID is more difficult to explain. The market has presented some very confusing outcomes, the likes of which we don't fully understand. For example, on the leasing side, had we not had Amazon take down 1.64M square feet this quarter in Orlando, we would have posted our first quarter of negative absorption since the second quarter of 2011; some of our credit worthy tenants are struggling but our smaller tenants are not; sales volumes are down by 70% but our values are up; unemployment has gone from 2.4 percent in December to 16.3 percent in May, yet boat stores are virtually sold out of boats (literally) and bank default rates are non-existent. Zoom calls have replaced personal interaction and business increased in the second quarter. We will not be so bold as to make a prediction of where we are headed for the last half of the year.

**MARKET TRENDS: CHANGE FROM PREVIOUS QUARTER**



**WHAT YOU NEED TO KNOW**

- Positive absorption this quarter of 1,288,666 square feet was made up primarily of 2 new Amazon leases. **Without the Amazon deals, the absorption would have been (359,468) square feet.**
- Leasing activity was much slower this quarter due to the uncertainties related to the overall market effects of COVID-19.
- Total market vacancy dropped by .5 percent with the most significant change in the Silver Star submarket which fell 1.8 percent, **a direct result of the former 1,086,384 million square foot Winn Dixie freezer/cooler building being leased to Amazon.**
- The construction pipeline stayed relatively the same as the previous quarter with 3.2 million square feet underway. A total of 446,346 square feet of new space was delivered this quarter.
- Building sales were low with only 13 sales totaling \$61,480,000 for an average sale price of \$95.67 per square foot.

**UNDERSTANDING THE REPORT**

**WE TRACK THE STUFF THAT MATTERS!**

We do not track ancillary smaller buildings. Lee & Associates **tracks all industrial buildings 20,000 square feet and greater within Orange and Seminole counties.** Condominium and self-storage properties are not included in this report. Among the buildings tracked, there are four categories: flex, bulk/distribution, manufacturing and office/warehouse. Flex space is defined as a building that provides a configuration allowing tenants a flexible amount of office/showroom area in combination with manufacturing, warehouse and distribution space. Flex buildings will have a higher parking ratio than office/warehouse or bulk buildings, are typically grade level and have an office finish greater than 30 percent. Bulk/distribution is defined as a building which has a clear height of 22' or greater, has a minimum depth of 160' and typically has less than 10 percent office finish. Manufacturing denotes a property used for conversion or assembly of raw or partially raw materials into goods/products. Office/warehouse is defined as buildings that have a clear height of up to 21', have a maximum depth of up to 160' and typically have a higher office finish of 10-25 percent more than bulk buildings. The term "industrial" combines all categories with the exception of flex space, which is tracked and reported separately.

All rental rates reported do not include operating expenses or CAM charges and are reported on a triple net basis. **In addition, sublet space is not included in the overall absorption or weighted average rental rates.** Buildings that are partially pre-leased are included in positive absorption at the time construction begins. Lee & Associates tracks over 1,980 buildings in Orange and Seminole County which total approximately 130 million square feet. The flex inventory makes up 12 percent of the total space within the market, while the industrial product makes up 88 percent. We end our statistical gathering of data approximately one week prior to the end of each quarter.

**MARKET SNAPSHOT**

<b>Comparison Rental Rates PSF:</b>		
	1Q-20	2Q-20
Flex	\$10.65	\$11.09
Bulk/Distribution	\$6.70	\$7.11
Manufacturing	\$5.54	\$5.93
Office/Warehouse	\$7.60	\$6.99
<b>Total Market</b>	<b>\$7.51</b>	<b>\$7.45</b>

<b>Comparison of Market Vacancy:</b>		
	1Q-20	2Q-20
Direct	6.0%	5.5%
Sublet	0.4%	0.4%
<b>Total Market</b>	<b>6.4%</b>	<b>5.9%</b>

<b>Comparison of Absorption in SF:</b>		
	1Q-20	2Q-20
Quarterly Amount	626,556	1,288,666
Year-To-Date	626,556	1,915,222

<b>Construction Pipeline: 20,000SF+</b>		
	1Q-20	2Q-20
U/C (speculative & BTS)	3,273,330	3,219,144
Delivered (by qtr)	1,097,632	446,346
Delivered YTD	1,097,632	1,543,978

<b>Building Sales:</b>		
	1Q-20	1Q-20
Quarterly Total	\$163M	\$61M
Average Price PSF	\$82.71	\$95.67

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# QUARTER IN REVIEW

This quarter's significant positive absorption was made up primarily of two new Amazon leases - 561,750 square feet in the Airport/Southeast submarket and 1,086,384 square feet in the Silver Star submarket at the former Winn Dixie freezer/cooler building. Total second quarter positive absorption came in at 1,288,666 square feet, bringing the year to date up to 1,915,222 square feet. The impacts of COVID-19 on commercial real estate were seen in the slower leasing activity this quarter. Aside from the Amazon transactions, total availability in the Central Florida market showed little change, going from 7,903,413 square feet in the first quarter to 7,117,177 square feet of direct vacancy in the second quarter. The Silver Star submarket had the highest positive absorption with 1,083,208 square feet, while the Northwest submarket had the lowest absorption at (209,160) square feet due to the vacated Crown Cork & Seal building.

Direct vacancy dropped .5 percent to 5.5 percent, while sublet space remained at .4 percent. This brought the total market vacancy down to 5.9 percent. All of the submarkets continue to stay below 10 percent vacancy. The Airport/Southeast submarket has the highest total vacancy at 8.2 percent while the Central submarket has the lowest at 2 percent. Manufacturing and office/warehouse product have the lowest totally vacancy rates at 2.8 and 4.7 percent.

Asking market rental rates saw a slight increase by product type, but the average asking rate dropped slightly to \$7.45 per square foot.

Building sales saw a significant decrease compared to the first quarter but were more inline with quarterly totals from 2019. There were only 13 sales, 9 in Orange County and 4 in Seminole County, totaling \$61,480,000. The 642,637 square feet of buildings sold had an average sale price of \$95.67 per square foot.

**There is currently 2,605,144 square feet of speculative development under construction or imminent. These buildings include:**

- Dalfen's Hoffner Avenue building with 105,000 square feet
- Johnson Development's South Orange Logistics #100 with 149,940 square feet and #200 with 131,220 square feet
- Lincoln's OCP Logistics #100 with 295,600 square feet and #200 with 109,700 square feet
- McCraney's Distribution 429 #300 with 405,596 square feet
- Prologis' Airport Park #200 totaling 379,176 square feet
- Prologis' ADC North Building F with 103,312 square feet
- Prologis' building on Florida Crown Drive totaling 260,000 square feet
- Scannell's North Point Industrial building #1 with 146,000 square feet, #2 with 75,200 square feet, and #3 with 56,200 square feet
- Seefried's Narcoossee Logistics Center building #1 with 160,000 square feet and building #2 with 120,000 square feet
- Taurus' Young Pine Road building with 108,200 square feet

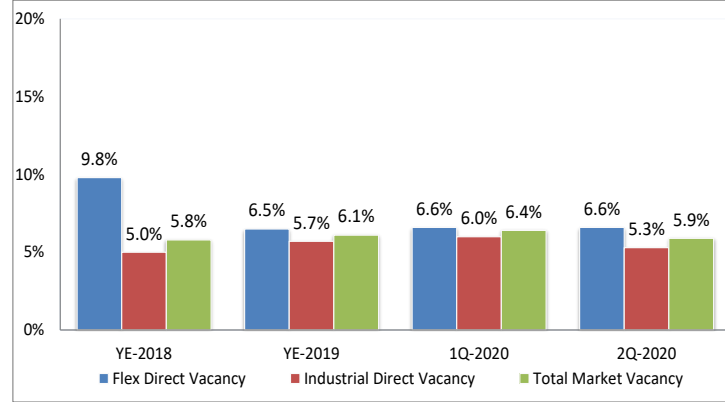
**There is currently 614,000 square feet of build-to-suit construction underway. This include:**

- Coca Cola's 290,000 square foot building in Apopka
- GOYA's 324,000 square foot building in Apopka

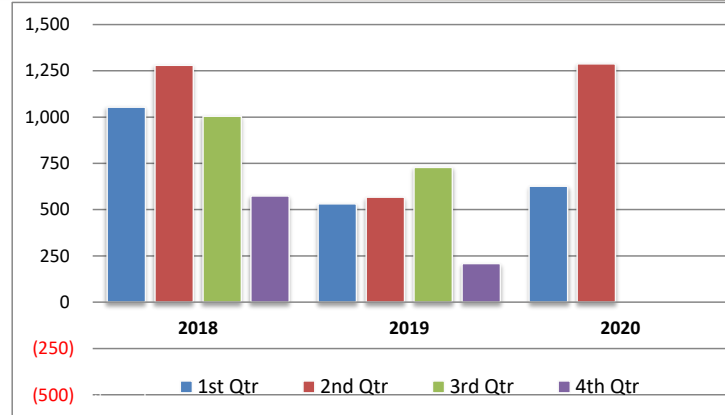
**A total of 446,346 square feet was delivered this quarter:**

- RREEF's Center of Commerce building #100 with 113,115 square feet and #200 with 108,101 square feet
- Blue Scope's building in Sanford totaling 113,150 square feet
- JLL's three buildings totaling 111,980 square feet on Silver Star Road

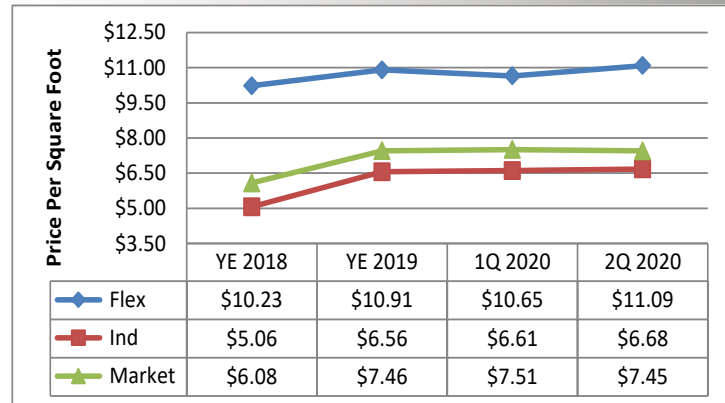
## VACANCY



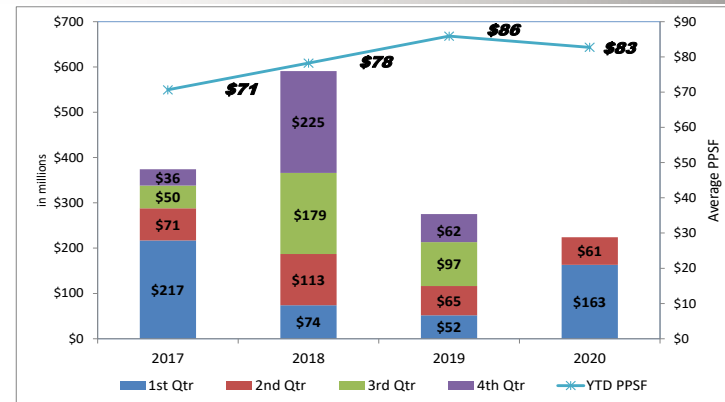
## ABSORPTION



## RENTAL RATES







## SALES & AVERAGE PRICE PSF



# QUARTER IN REVIEW

Q2 2020

## TOP SECOND QUARTER LEASE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name	Tenant	Total SF	Submarket	Type
3015 Coast Line Drive	Amazon	1,086,384	Silver Star	New
9775 Air Commerce Parkway	Amazon	561,750	Airport/Southeast	New
4201 Shader Road 	JJ Haines	136,655	Silver Star	Renewal
1451 Ocoee Apopka Road 	Advent Health	100,116	Northwest	New
9820 Satellite Boulevard	Mechanical Services	49,400	Airport/Southeast	Renewal
1451 Ocoee Apopka Road 	Assured Record	40,058	Northwest	Renewal
1401 Ocoee Apopka Road 	Advent Health	36,036	Northwest	New
2619 Consulate Drive, # 100	Freedom Forever Florida	19,702	Southwest	New
2613 Consulate Drive	Laird Plastics	14,603	Southwest	New

## TOP SECOND QUARTER SALE TRANSACTIONS (RANKED BY SQUARE FEET)

Building Name/Address	Submarket	Total SF	Buyer	Seller	Sale Price	PPSF
7705 & 7725 Winegard Road 	Airport/Southeast	230,125	LBA	McDonald Ventures LLC	\$26,400,000	\$114.72
3401 Mercy Star Court	Silver Star	111,980	Cabot Properties	Mercy Star LLC	\$10,540,000	\$94.12
1216 W Ameila Street	Central	56,210	Cosmetic Promotions Inc	American Builders Contractors Supply Co Inc	\$2,435,000	\$43.32
4500 Metric Drive	Eastside/University	51,200	Liam Zayne Group LLC	Richard S Clarke Revocable Trust	\$3,900,000	\$76.17
7601 Chancellor Drive	OCP	46,214	Stevenson Properties Orlando FL LLC	BH and L Decorators Inc.	\$4,000,000	\$86.55
501 Cornwall Road	Sanford	30,000	M1 Equity LLC	Buzzella World LLC	\$2,900,000	\$96.67
3923 Forrestal Avenue 	Central	26,513	Orlando Kitchen and Bath	Wydra International Properties LLC	\$2,550,000	\$96.18
3652 Old Winter Garden Road	Central	25,645	Not Disclosed	Kirkland Development Group LLC	\$2,200,000	\$85.79
1420 W. Washington Street	Central	18,100	10X Enterprises LLC	Washington Rental Property LLC	\$1,760,000	\$97.24
600 Aero Lane	Sanford	15,000	CJR Aero Property LLC	Demabry Holdings Inc.	\$1,561,098	\$104.07
400 Kane Street	Eastside/University	14,400	Cross Development CC Oviedo LLC	Southern Development & Construction Inc.	\$1,630,000	\$113.19
2111 W. Pine Street	Central	12,000	2E and 3K Properties LLC	Marks Properties LLC	\$979,000	\$81.58
710 S. Milwee Street	Longwood	5,250	Not Disclosed	Altair Environmental Group LLC	\$625,000	\$119.05



Submarket	# of Bldgs	Total RSF	Direct SF Available	Direct Vacancy	Sublet SF Available	Sublet Vacancy	Total Vacancy	Quarterly Absorption	Year to Date Absorption	Dir Wtd Avg Asking Rate
<b>NORTHWEST</b>										
Bulk/Distribution	22	2,525,561	0	0.0%	0	0.0%	0.0%	0	153,170	\$ 5.99
Flex	19	653,790	29,904	4.6%	7,500	1.1%	5.7%	0	375	\$ 7.28
Manufacturing	18	1,080,828	7,700	0.7%	0	0.0%	0.7%	0	0	\$ 5.99
Office/Warehouse	99	5,844,508	410,416	7.0%	0	0.0%	7.0%	(209,160)	(203,973)	\$ 4.66
<b>Submarket Total</b>	<b>158</b>	<b>10,104,687</b>	<b>448,020</b>	<b>4.4%</b>	<b>7,500</b>	<b>0.1%</b>	<b>4.5%</b>	<b>(209,160)</b>	<b>(50,428)</b>	<b>\$ 5.04</b>
<b>SILVER STAR</b>										
Bulk/Distribution	19	3,784,228	223,971	5.9%	42,800	1.1%	7.0%	1,086,384	1,086,384	\$ 7.48
Flex	31	1,359,333	80,930	6.0%	0	0.0%	6.0%	8,313	14,503	\$ 8.19
Manufacturing	22	1,929,491	27,672	1.4%	0	0.0%	1.4%	5,722	5,722	\$ 8.20
Office/Warehouse	214	11,502,363	664,636	5.8%	10,000	0.1%	5.9%	(17,211)	(52,463)	\$ 6.61
<b>Submarket Total</b>	<b>286</b>	<b>18,575,415</b>	<b>997,209</b>	<b>5.4%</b>	<b>52,800</b>	<b>0.3%</b>	<b>5.7%</b>	<b>1,083,208</b>	<b>1,054,146</b>	<b>\$ 6.98</b>
<b>33RD STREET</b>										
Bulk/Distribution	3	256,158	0	0.0%	0	0.0%	0.0%	0	0	\$ 4.91
Flex	33	935,758	45,998	4.9%	0	0.0%	4.9%	12,198	3,791	\$ 11.75
Office/Warehouse	84	3,884,920	227,745	5.9%	29,096	0.7%	6.6%	(105,126)	(93,147)	\$ 6.95
<b>Submarket Total</b>	<b>120</b>	<b>5,076,836</b>	<b>273,743</b>	<b>5.4%</b>	<b>29,096</b>	<b>0.6%</b>	<b>6.0%</b>	<b>(92,928)</b>	<b>(89,356)</b>	<b>\$ 10.64</b>
<b>NORTH CENTRAL</b>										
Flex	46	1,305,256	109,199	8.4%	0	0.0%	8.4%	1,318	(7,232)	\$ 10.68
Manufacturing	12	535,289	32,246	6.0%	0	0.0%	6.0%	(4,123)	(4,123)	\$ 4.99
Office/Warehouse	52	1,924,152	23,040	1.2%	0	0.0%	1.2%	3,250	2,377	\$ 11.98
<b>Submarket Total</b>	<b>110</b>	<b>3,764,697</b>	<b>164,485</b>	<b>4.4%</b>	<b>0</b>	<b>0.0%</b>	<b>4.4%</b>	<b>445</b>	<b>(8,978)</b>	<b>\$ 9.75</b>
<b>LONGWOOD/LAKE MARY/SANFORD</b>										
Bulk/Distribution	14	1,884,638	56,501	3.0%	0	0.0%	3.0%	0	246,016	\$ 7.35
Flex	64	2,497,819	204,938	8.2%	0	0.0%	8.2%	25,349	29,907	\$ 8.71
Manufacturing	54	3,051,660	160,800	5.3%	0	0.0%	5.3%	(52,800)	(51,600)	\$ 5.50
Office/Warehouse	193	8,209,940	429,684	5.2%	0	0.0%	5.2%	(68,906)	(35,303)	\$ 7.15
<b>Submarket Total</b>	<b>325</b>	<b>15,644,057</b>	<b>851,923</b>	<b>5.4%</b>	<b>0</b>	<b>0.0%</b>	<b>5.4%</b>	<b>(96,357)</b>	<b>189,020</b>	<b>\$ 7.23</b>
<b>CENTRAL ORLANDO</b>										
Flex	17	637,437	1,200	0.2%	0	0.0%	0.2%	0	2,400	\$ 7.50
Manufacturing	19	1,210,447	0	0.0%	0	0.0%	0.0%	0	2,696	\$ 10.00
Office/Warehouse	101	4,385,554	125,527	2.9%	0	0.0%	2.9%	25,321	18,515	\$ 8.06
<b>Submarket Total</b>	<b>137</b>	<b>6,233,438</b>	<b>126,727</b>	<b>2.0%</b>	<b>0</b>	<b>0.0%</b>	<b>2.0%</b>	<b>25,321</b>	<b>23,611</b>	<b>\$ 8.21</b>
<b>EAST SIDE / UNIVERSITY</b>										
Bulk/Distribution	2	399,818	0	0.0%	0	0.0%	0.0%	0	0	\$ 5.25
Flex	40	1,893,934	151,232	8.0%	89,696	4.7%	12.7%	(8,328)	(8,328)	\$ 13.96
Manufacturing	14	627,131	6,000	1.0%	0	0.0%	1.0%	(4,875)	(4,875)	\$ 6.00
Office/Warehouse	64	2,514,430	56,693	2.3%	12,960	0.5%	2.8%	50,007	57,989	\$ 9.22
<b>Submarket Total</b>	<b>120</b>	<b>5,435,313</b>	<b>213,925</b>	<b>3.9%</b>	<b>102,656</b>	<b>1.9%</b>	<b>5.8%</b>	<b>36,804</b>	<b>44,786</b>	<b>\$ 15.90</b>
<b>AIRPORT / SOUTHEAST</b>										
Bulk/Distribution	108	20,147,847	2,191,094	10.9%	129,360	0.6%	11.5%	460,606	460,606	\$ 6.00
Flex	76	3,310,282	291,955	8.8%	45,666	1.4%	10.2%	1,771	27,086	\$ 11.96
Office/Warehouse	283	19,009,492	687,087	3.6%	128,688	0.7%	4.3%	9,628	139,441	\$ 7.69
<b>Submarket Total</b>	<b>467</b>	<b>42,467,621</b>	<b>3,170,136</b>	<b>7.5%</b>	<b>303,714</b>	<b>0.7%</b>	<b>8.2%</b>	<b>472,005</b>	<b>627,133</b>	<b>\$ 6.91</b>
<b>ORLANDO CENTRAL PARK</b>										
Bulk/Distribution	55	8,598,829	321,691	3.7%	31,639	0.4%	4.1%	135,916	63,404	\$ 5.40
Flex	42	2,003,149	72,503	3.6%	0	0.0%	3.6%	(23,845)	(6,196)	\$ 11.26
Office/Warehouse	86	5,366,904	82,763	1.5%	0	0.0%	1.5%	(80,153)	(13,046)	\$ 7.45
<b>Submarket Total</b>	<b>183</b>	<b>15,968,882</b>	<b>476,957</b>	<b>3.0%</b>	<b>31,639</b>	<b>0.2%</b>	<b>3.2%</b>	<b>31,918</b>	<b>44,162</b>	<b>\$ 6.65</b>
<b>SOUTHWEST</b>										
Bulk/Distribution	19	2,859,909	151,413	5.3%	36,921	1.3%	6.6%	(12,211)	99,352	\$ 8.94
Flex	16	985,965	27,935	2.8%	0	0.0%	2.8%	11,816	8,252	\$ 16.75
Office/Warehouse	43	3,507,119	214,704	6.1%	0	0.0%	6.1%	37,805	(26,478)	\$ 8.21
<b>Submarket Total</b>	<b>78</b>	<b>7,352,993</b>	<b>394,052</b>	<b>5.4%</b>	<b>36,921</b>	<b>0.5%</b>	<b>5.9%</b>	<b>37,410</b>	<b>81,126</b>	<b>\$ 9.10</b>
<b>TOTAL FLEX</b>	<b>384</b>	<b>15,582,723</b>	<b>1,015,794</b>	<b>6.5%</b>	<b>142,862</b>	<b>0.9%</b>	<b>7.4%</b>	<b>28,592</b>	<b>64,558</b>	<b>\$ 11.09</b>
<b>TOTAL BULK/DISTRIBUTION</b>	<b>242</b>	<b>40,456,988</b>	<b>2,944,670</b>	<b>7.3%</b>	<b>240,720</b>	<b>0.6%</b>	<b>7.9%</b>	<b>1,670,695</b>	<b>2,108,932</b>	<b>\$ 7.11</b>
<b>TOTAL MANUFACTURING</b>	<b>139</b>	<b>8,434,846</b>	<b>234,418</b>	<b>2.8%</b>	<b>0</b>	<b>0.0%</b>	<b>2.8%</b>	<b>(56,076)</b>	<b>(52,180)</b>	<b>\$ 5.93</b>
<b>TOTAL OFFICE/WAREHOUSE</b>	<b>1219</b>	<b>66,149,382</b>	<b>2,922,295</b>	<b>4.4%</b>	<b>180,744</b>	<b>0.3%</b>	<b>4.7%</b>	<b>(354,545)</b>	<b>(206,088)</b>	<b>\$ 6.99</b>
<b>TOTAL INDUSTRIAL SPACE</b>	<b>1600</b>	<b>115,041,216</b>	<b>6,101,383</b>	<b>5.3%</b>	<b>421,464</b>	<b>0.37%</b>	<b>5.7%</b>	<b>1,260,074</b>	<b>1,850,664</b>	<b>\$ 6.68</b>
<b>TOTAL MARKET</b>	<b>1,984</b>	<b>130,623,939</b>	<b>7,117,177</b>	<b>5.45%</b>	<b>564,326</b>	<b>0.4%</b>	<b>5.9%</b>	<b>1,288,666</b>	<b>1,915,222</b>	<b>\$ 7.45</b>

\*Note that total market consists of both Flex and Industrial properties combined